

# Senate Study Bill 1264

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
EDUCATION BILL BY  
CO=CHAIRPERSON CONNOLLY)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to school finance by increasing the regular  
2 program foundation base, providing for the repeal of specified  
3 levies, providing for a gradual increase in state funding for  
4 the instructional support program and incorporation of the  
5 program into the school finance formula, requiring school  
6 districts to publicize higher educational opportunities  
7 available to students enrolled in the district, removing  
8 certain barriers between secondary and postsecondary  
9 institutions relating to supplementary weighting and  
10 postsecondary enrollment options, requiring the school budget  
11 review committee to grant transportation assistance aid to  
12 school districts under certain circumstances, requiring the  
13 department of management to study the issue of tax increment  
14 financing for purposes of urban renewal, making an  
15 appropriation, and providing applicability and effective  
16 dates.  
17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
18 TLSB 3144XC 81  
19 rn/sh/8

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1 1 Section 1. Section 257.1, subsection 2, unnumbered  
2 paragraph 2, Code 2005, is amended by striking the unnumbered  
3 paragraph and inserting in lieu thereof the following:  
4 The regular program foundation base per pupil is the  
5 following:  
6 a. For the budget year commencing July 1, 2006, the  
7 regular program foundation base per pupil is eighty-nine and  
8 twenty-eight hundredths percent of the regular program state  
9 cost per pupil.  
10 b. For the budget year commencing July 1, 2007, the  
11 regular program foundation base per pupil is ninety-one and  
12 six hundredths percent of the regular program state cost per  
13 pupil.  
14 c. For the budget year commencing July 1, 2008, the  
15 regular program foundation base per pupil is ninety-two and  
16 eighty-four hundredths percent of the regular program state  
17 cost per pupil.  
18 d. For the budget year commencing July 1, 2009, the  
19 regular program foundation base per pupil is ninety-four and  
20 sixty-two hundredths percent of the regular program state cost  
21 per pupil.  
22 e. For the budget year commencing July 1, 2010, the  
23 regular program foundation base per pupil is ninety-six and  
24 forty hundredths percent of the regular program state cost per  
25 pupil.  
26 f. For the budget year commencing July 1, 2011, the  
27 regular program foundation base per pupil is ninety-eight and  
28 eighteen hundredths percent of the regular program state cost  
29 per pupil.  
30 g. For the budget year commencing July 1, 2012, and  
31 succeeding budget years, the regular program foundation base  
32 per pupil is one hundred percent of the regular program state  
33 cost per pupil.  
34 For each budget year the special education support services  
35 foundation base is seventy-nine percent of the special  
2 1 education support services state cost per pupil. The combined  
2 2 foundation base is the sum of the regular program foundation

2 3 base and the special education support services foundation  
2 4 base.

2 5 Sec. 2. Section 257.8, Code 2005, is amended by adding the  
2 6 following new subsection:

2 7 NEW SUBSECTION. 4A. ALTERNATE ALLOWABLE GROWTH ==  
2 8 INSTRUCTIONAL SUPPORT PROGRAM.

2 9 a. Notwithstanding the calculation in subsection 2, for  
2 10 purposes of providing additional funding for instructional  
2 11 support, the department of management shall calculate the  
2 12 regular program allowable growth for the budget years  
2 13 beginning July 1, 2006, through July 1, 2010, by multiplying  
2 14 the state percent of growth for the budget year by the regular  
2 15 program state cost per pupil for the base year, and adding to  
2 16 the resulting product the following:

2 17 (1) For the budget year beginning July 1, 2006, fifty=one  
2 18 dollars and twenty cents.

2 19 (2) For the budget year beginning July 1, 2007, fifty=one  
2 20 dollars and twenty cents.

2 21 (3) For the budget year beginning July 1, 2008, fifty=one  
2 22 dollars and twenty cents.

2 23 (4) For the budget year beginning July 1, 2009, fifty=one  
2 24 dollars and twenty cents.

2 25 (5) For the budget year beginning July 1, 2010, fifty=one  
2 26 dollars and twenty cents.

2 27 For purposes of determining the amount of a budget  
2 28 adjustment as defined in section 257.14, amounts added to  
2 29 allowable growth pursuant to this paragraph "a" shall be  
2 30 subtracted from the school district's regular program cost per  
2 31 pupil for the budget years beginning July 1, 2006, through  
2 32 July 1, 2010, prior to determining the amount of the  
2 33 adjustment.

2 34 b. A school district shall calculate allowable growth  
2 35 pursuant to the provisions of subsection 2 for the budget  
3 1 years beginning July 1, 2007, and succeeding budget years,  
3 2 utilizing a regular program state cost per pupil figure which  
3 3 incorporates the increases in regular program allowable growth  
3 4 calculated pursuant to paragraph "a".

3 5 Sec. 3. Section 257.11, subsection 6, Code 2005, is  
3 6 amended to read as follows:

3 7 6. SHARED CLASSES DELIVERED OVER THE IOWA COMMUNICATIONS  
3 8 NETWORK. A pupil attending a class in which students from one  
3 9 or more other school districts are enrolled and which is  
3 10 taught via the Iowa communications network ~~is not~~ shall be  
3 11 deemed to be attending a class in another school district or  
3 12 in a community college for the purposes of this section and  
3 13 the school district is ~~not~~ eligible for supplementary  
3 14 weighting for that class under this section.

3 15 Sec. 4. Section 257.20, Code 2005, is amended by striking  
3 16 the section and inserting in lieu thereof the following:

3 17 257.20 INSTRUCTIONAL SUPPORT == STATE FUNDING.

3 18 1. For the budget year beginning July 1, 2006, and for  
3 19 succeeding budget years, instructional support state aid shall  
3 20 be provided through the annual increases in allowable growth  
3 21 pursuant to the schedule contained in section 257.8,  
3 22 subsection 4A. The remaining portion of instructional support  
3 23 program funding for the budget years beginning July 1, 2006,  
3 24 through July 1, 2009, shall be derived from local funding  
3 25 using either the instructional support property tax or a  
3 26 combination of the instructional support property tax and an  
3 27 instructional support income surtax. For the budget year  
3 28 commencing July 1, 2010, and succeeding budget years, the  
3 29 increase in allowable growth pursuant to section 257.8,  
3 30 subsection 4A, shall provide one hundred percent of the  
3 31 funding for instructional support.

3 32 2. For the budget years beginning July 1, 2006, through  
3 33 July 1, 2009, the board of directors of a school district  
3 34 adopting a resolution to participate in the instructional  
3 35 support program, or of a district reaching the expiration of  
4 1 the period for which the instructional support program was  
4 2 adopted, may impose or renew local funding only through the  
4 3 budget year beginning July 1, 2009.

4 4 Sec. 5. Section 257.27, Code 2005, is amended to read as  
4 5 follows:

4 6 257.27 CONTINUATION OF INSTRUCTIONAL SUPPORT PROGRAM.

~~4 7 At the expiration of the period for which the instructional~~  
~~4 8 support program was adopted, the program may be extended for a~~  
~~4 9 period of not exceeding five or ten years in the manner~~  
~~4 10 provided in section 257.18.~~

4 11 If the voters do not approve adoption of the instructional  
4 12 support program, the board shall wait at least one hundred  
4 13 twenty days following the election before taking action to

4 14 adopt the program or resubmit the proposition.  
4 15 Sec. 6. NEW SECTION. 257.27A FUTURE REPEAL.  
4 16 Sections 257.18 through 257.27 are repealed July 1, 2010.  
4 17 Sec. 7. Section 257.28, Code 2005, is amended by adding  
4 18 the following new unnumbered paragraph:  
4 19 NEW UNNUMBERED PARAGRAPH. This section is repealed July 1,  
4 20 2006, and the additional enrichment amount shall not be  
4 21 available for school districts for budget years beginning on  
4 22 or after July 1, 2006.  
4 23 Sec. 8. Section 257.29, Code 2005, is amended by adding  
4 24 the following new unnumbered paragraph:  
4 25 NEW UNNUMBERED PARAGRAPH. This section is repealed July 1,  
4 26 2006, and the additional funding provided by an educational  
4 27 improvement program shall not be available for school  
4 28 districts for budget years beginning on or after July 1, 2006.  
4 29 Sec. 9. Section 257.31, subsection 17, paragraph a, Code  
4 30 2005, is amended to read as follows:  
4 31 a. If a district's average transportation costs per pupil  
4 32 exceed the state average transportation costs per pupil  
4 33 determined under paragraph "c" by one hundred ~~fifty~~ percent,  
4 34 the committee ~~may~~ shall grant transportation assistance aid to  
4 35 the district ~~in an amount up to, but not exceeding, fifty~~  
5 1 cents of transportation assistance for each dollar by which  
5 2 the district's average transportation costs per pupil exceed  
5 3 the state average transportation costs per pupil as determined  
5 4 under paragraph "c". Such aid shall be miscellaneous income  
5 5 and shall not be included in district cost.  
5 6 Sec. 10. Section 257.31, subsection 17, Code 2005, is  
5 7 amended by adding the following new paragraphs:  
5 8 NEW PARAGRAPH. e. There is appropriated from the general  
5 9 fund of the state to the committee, for the fiscal year  
5 10 beginning July 1, 2006, and each succeeding fiscal year, up to  
5 11 eight million seven hundred sixty-four thousand dollars for  
5 12 transportation assistance aid to school districts as provided  
5 13 in this subsection, which shall supplement, not supplant, the  
5 14 moneys appropriated pursuant to paragraph "d".  
5 15 NEW PARAGRAPH. f. The committee shall adopt rules  
5 16 pursuant to chapter 17A for granting transportation assistance  
5 17 aid and for otherwise administering this subsection.  
5 18 Sec. 11. Section 261C.4, Code 2005, is amended to read as  
5 19 follows:  
5 20 261C.4 AUTHORIZATION.  
5 21 An eligible pupil may make application to an eligible  
5 22 institution to allow the eligible pupil to enroll for academic  
5 23 or vocational=technical credit in a nonsectarian course  
5 24 offered at that eligible institution. ~~A comparable course, as~~  
5 25 ~~defined in rules made by the board of directors of the public~~  
5 26 ~~school district, must not be offered by the school district or~~  
5 27 ~~accredited nonpublic school which the pupil attends.~~ If an  
5 28 eligible institution accepts an eligible pupil for enrollment  
5 29 under this section, the institution shall send written notice  
5 30 to the pupil, the pupil's school district or accredited  
5 31 nonpublic school or the school for the deaf or the Iowa  
5 32 braille and sight saving school, and the department of  
5 33 education. The notice shall list the course, the clock hours  
5 34 the pupil will be attending the course, and the number of  
5 35 hours of postsecondary academic or vocational=technical credit  
6 1 that the eligible pupil will receive from the eligible  
6 2 institution upon successful completion of the course.  
6 3 Sec. 12. NEW SECTION. 279.60 PUBLICIZE HIGHER EDUCATION  
6 4 OPTIONS.  
6 5 The board of directors of each school district shall  
6 6 publicize in, at a minimum, the school district's student  
6 7 handbook and on the school district's web page, the higher  
6 8 education opportunities available to students enrolled in the  
6 9 school district, including opportunities provided under the  
6 10 postsecondary enrollment options Act, chapter 261C, and the  
6 11 availability of classes offered under district=to=community  
6 12 college sharing agreements.  
6 13 Sec. 13. Section 298.14, unnumbered paragraphs 1 and 2,  
6 14 Code 2005, are amended to read as follows:  
6 15 For each fiscal year, the cumulative total of the percents  
6 16 of surtax approved by the board of directors of a school  
6 17 district and collected by the department of revenue under  
6 18 sections 257.21, ~~257.29,~~ and 298.2, ~~and the enrichment surtax~~  
6 19 ~~under section 442.15, Code 1989,~~ and an income surtax  
6 20 collected by a political subdivision under chapter 422D, shall  
6 21 not exceed twenty percent.  
6 22 A school district income surtax fund is created in the  
6 23 office of treasurer of state. Income surtaxes collected by  
6 24 the department of revenue under sections 257.21, ~~257.29,~~ and

298.2 and section 442.15, Code 1989, shall be deposited in the school district income surtax fund to the credit of each school district. A separate accounting of each surtax, by school district, shall be maintained.

Sec. 14. Section 298A.5, Code 2005, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. This section is repealed July 1, 2006, and the additional funding provided by a schoolhouse tax levy shall not be available for school districts for budget years beginning on or after July 1, 2006.

Sec. 15. DIALOGUE TO RESOLVE TAX INCREMENT FINANCING ISSUES. On or before August 1, 2005, the department of management shall establish a committee to study the issue of the use of tax increment financing for purposes of urban renewal. The purpose of the committee is to begin and maintain a dialogue with all interested parties in order to resolve issues pertaining to the use of tax increment financing, particularly the impact of tax increment financing on state and local funding for education and on local government budgets. The interested parties shall include representatives from the department of management, the department of economic development, the department of education, cities, counties, school districts, community colleges, other property-taxing entities, taxpayer organizations, and the business community.

The committee shall report to the general assembly by January 31, 2006. The report may include recommendations for statutory changes relating to urban renewal and tax increment financing.

Sec. 16. Section 257.33, Code 2005, is repealed.

Sec. 17. EFFECTIVE AND APPLICABILITY DATES.

1. Sections 13 and 16 of this Act take effect July 1, 2006.

2. The sections of this Act increasing the regular program foundation base, providing alternative allowable growth for the instructional support program and making related changes, providing supplementary weighting for shared classes taught via the Iowa communications network, and granting transportation assistance aid are applicable for the school budget year beginning July 1, 2006.

#### EXPLANATION

This bill provides for several changes relating to the operation of the school finance formula, the publicizing of higher education opportunities and removal of barriers to education partnerships, and the establishment of a committee to study the issue of the use of tax increment financing for purposes of urban renewal.

The bill provides for an increase in the regular program foundation base under the state school foundation program. The foundation base is the specified percentage of the state cost per pupil calculation which is paid as state aid to school districts, above and beyond the uniform property tax levy imposed in Code section 257.3. The increase would be gradually phased in over a seven-year period in equal annual increments, from the current foundation base level of 87.5 percent to the level of 100 percent.

The bill provides for the gradual incorporation of the instructional support program into the school finance formula. The bill provides for additional increases in allowable growth over a five-year period beginning July 1, 2006. The bill provides that the additional increases in allowable growth shall be in the amount of \$51.20, which corresponds to the current amount of instructional support state and local funding divided by weighted enrollment. The bill provides that school districts shall calculate the regular program allowable growth for the budget year beginning July 1, 2007, and succeeding budget years, utilizing a regular program state cost per pupil figure which incorporates these increases in regular program allowable growth. The bill provides that for purposes of determining the amount of a budget adjustment pursuant to Code section 257.14, the alternative allowable growth increases shall be subtracted from the school district's regular program cost per pupil prior to determining the amount of the adjustment. The bill makes changes to instructional support program provisions relating to participation in the program and imposition of property tax or income surtax, and provides for the future repeal of the program effective July 1, 2010.

The bill makes a school district eligible for supplementary weighting for pupils attending a class taught via the Iowa communications network. The bill also eliminates a provision

9 1 in the postsecondary enrollment options Act that permits a  
9 2 high school student to enroll in a postsecondary course only  
9 3 when the school district does not offer a comparable course.  
9 4 The bill requires the board of directors of a school  
9 5 district to publicize in, at a minimum, the school district's  
9 6 student handbook and on the school district's web page, the  
9 7 higher education opportunities available to students,  
9 8 including opportunities under the postsecondary enrollment  
9 9 options Act and classes offered under district-to-community  
9 10 college sharing agreements.  
9 11 The bill provides for the future repeal of three school  
9 12 finance levies which are imposed in a relatively few number of  
9 13 school districts, and makes conforming changes. The bill  
9 14 provides for the repeal of the enrichment levy provided in  
9 15 Code section 257.28. The enrichment levy is considered a  
9 16 "grandfathered" levy in that it is no longer available, but  
9 17 may continue until expiration in school districts already  
9 18 utilizing the levy. The bill also provides for the repeal of  
9 19 the educational improvement levy provided in Code section  
9 20 257.29. Currently, the educational improvement levy may be  
9 21 utilized in a school district that has approved participation  
9 22 in the instructional support program if the district has a  
9 23 regular program district cost per pupil exceeding 110 percent  
9 24 of the regular program state cost per pupil. The bill  
9 25 additionally provides for the repeal of the schoolhouse tax  
9 26 levy provided in Code section 298A.5. The schoolhouse tax  
9 27 levy is another "grandfathered" levy, utilized prior to the  
9 28 establishment of the physical plant and equipment levy,  
9 29 authorizing a levy for capital expenditure-related  
9 30 improvements.  
9 31 The bill appropriates approximately \$8.76 million annually  
9 32 to the school budget review committee for transportation  
9 33 assistance aid to school districts, in an amount up to 50  
9 34 cents for each dollar by which the district's average  
9 35 transportation costs exceed the state average transportation  
10 1 costs per pupil. The moneys appropriated are to supplement,  
10 2 not supplant, moneys appropriated to the committee from the  
10 3 sale of vehicle registration plates with an education emblem.  
10 4 The bill requires the department of management, on or  
10 5 before August 1, 2005, to establish a committee to study the  
10 6 issue of the use of tax increment financing for purposes of  
10 7 urban renewal. The committee shall report to the general  
10 8 assembly by January 31, 2006.  
10 9 The bill provides that the sections of the bill increasing  
10 10 the regular program foundation base, providing alternative  
10 11 allowable growth for the instructional support program and  
10 12 making related changes, providing supplementary weighting for  
10 13 shared classes taught via the Iowa communications network, and  
10 14 providing transportation assistance aid are applicable for the  
10 15 school budget year beginning July 1, 2006. The bill provides  
10 16 that sections making conformity changes relating to the future  
10 17 repeal of the enrichment levy are effective July 1, 2006.  
10 18 LSB 3144XC 81  
10 19 rn:nh/sh/8